



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN

DEPARTMENT OF NATURAL RESOURCES

LANSING



REBECCA A. HUMPHRIES
DIRECTOR

May 12, 2008

TO: Rebecca A. Humphries, Director

INFORMATION: Natural Resources Commission

Transaction: State Forest Land Exchange and Sale
Grayling Management Unit – Crawford County
Atlanta Management Unit – Montmorency County
Land Transaction Case #20060157

Applicant: Breitburn Operating, L.P., Gaylord, Michigan

Private Land Offered Montmorency County, Montmorency Township, T32N, R03E, Section 15:
In Exchange: the NW ¼ of the NE ¼, containing 40.0 acres more or less.

Appraised Value: \$26,000.00

State Land Desired Crawford County, Beaver Creek Township, T25N, R04W, Section 15:
In Exchange: the S ½ of the SW ¼ of the SW ¼, containing 20.0 acres more or less.

Stipulation: Subject to a reverter clause specifying that the land shall revert back to the State of Michigan, at its option, if/when the land ceases to be used for the processing of minerals.

Appraised Value: \$26,000.00

State Land to be Sold: Crawford County, Beaver Creek Township, T25N, R04W, Section 17:
the SW ¼ of the SE ¼ of the SE ¼, containing 10.0 acres more or less.

Purchase Price: \$9,570.00 (including transaction fee)

Authority: Part 21 of Act 451, Public Acts of 1994, as amended

Notice: This item will appear on the Department of Natural Resources' (Department) May 27, 2008 Calendar and is eligible for approval on June 3, 2008. The transaction was also posted in local newspapers as required by legislation.

NATURAL RESOURCES COMMISSION

Keith J. Charters, Chair • Mary Brown • Hurley J. Coleman, Jr. • Darnell Earley • John Madigan • J. R. Richardson • Frank Wheatlake

STEVENS T. MASON BUILDING • P.O. BOX 30028 • LANSING, MICHIGAN 48909-7528

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Comments:

The desired State-owned lands are located eight miles southwest of Grayling. The applicant currently leases the property for oil and gas production. As a part of the lease, they have placed offices and other facilities on the desired exchange parcel and oil production facilities (compressor stations, storage tanks and an overflow pit) on the desired sale parcel. The property appraiser noted that the presence of the production facilities has a negative impact on the land value.

The offered 40 acres of private land consists entirely of lowland habitats that are heavily wooded with trees and brush. The property blocks in well with State-owned lands as it is completely surrounded by them. The property is located approximately 1.5 miles away from the nearest public road. The acquisition of this property will preclude future requests for access easements across State land.

This transaction will contribute to the Department's Land Consolidation Strategy, enhancing forest and wildlife management potential. The acquisition of the offered property will eliminate the need for Department personnel to maintain one mile of existing boundary line.

The desired State-owned exchange parcel was acquired by tax reversion in 1939. The desired State-owned sale parcel was acquired by Government Exchange in 1941 and has tax reversion status. As a result of this exchange, the offered private land will assume tax reversion status.

This transaction was reviewed by Department staff and recommended for approval by the Land Exchange Review Committee on June 21, 2007, with the recommendation that the State retain a reverter interest, exercisable at the State's option, over the exchange parcel. The Mineral and Land Management Section staff of the Department's Forest, Mineral and Fire Management Division has determined that the Department's mineral rights on the desired parcels are currently being leased, therefore, the Department should retain them.

The Land Exchange Facilitation Fund (LEFF) Act allows the Department to sell rights in land and deposit the proceeds in a fund, which can then be used to acquire replacement property. Deposit of said proceeds will not cause the fund to exceed \$2,500,000.00, as stipulated by legislation.

Recommendations:

(1) That the exchange and sale be approved, with proceeds to be deposited into the LEFF, under authority of Part 21, Act 451 of 1994, as amended, with the State reserving aboriginal antiquities and mineral rights.

(2) That the desired exchange parcel shall be conveyed subject to a reverter clause specifying that the land shall revert back to the State of Michigan, at its option, if and when the land ceases to be used for the processing of minerals.

David E. Freed, Chief
Land and Facilities

Douglas A. Reeves, Acting Chief
Wildlife

Lynne M. Boyd, Chief
Forest, Mineral and Fire Management

Arminda S. Koch
Resource Management Deputy

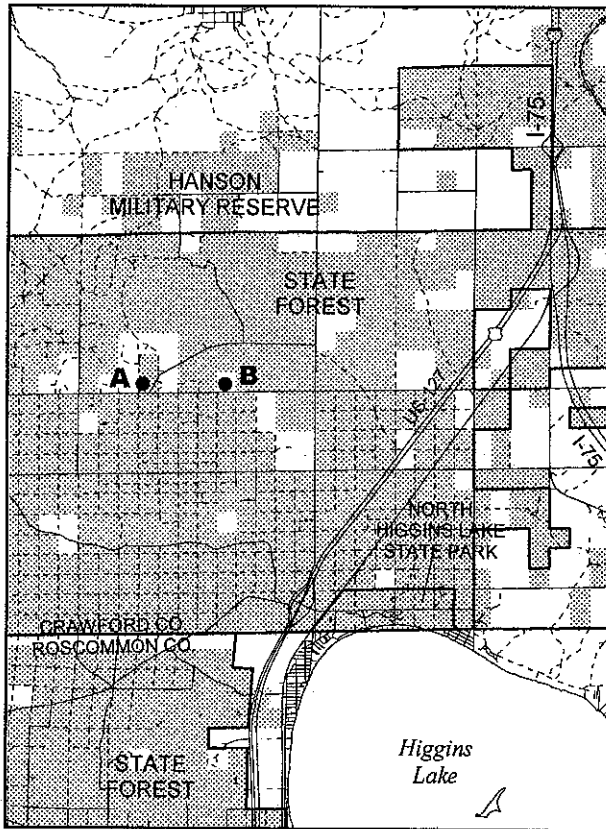
Dennis R. Fedewa
Chief Deputy

I approve the staff recommendations.

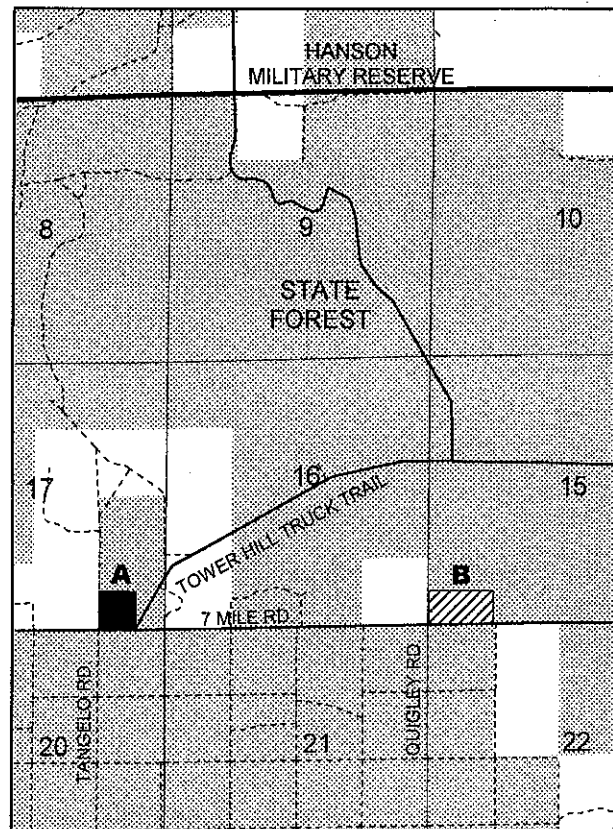
Rebecca A. Humphries
Director

Date Approved

STATE FOREST LAND EXCHANGE AND SALE
 Grayling Management Unit - Crawford County
 Atlanta Management Unit - Montmorency County
 Land Transaction Case #20060157
 (Map 1 of 2)

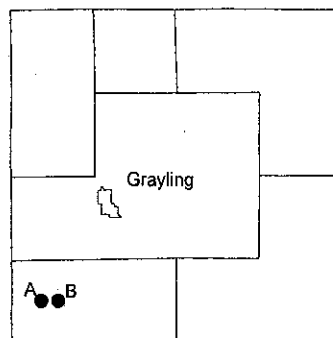
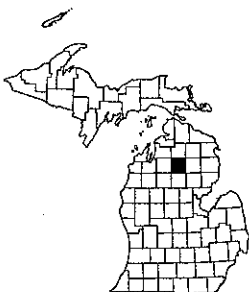


Regional Location



Sections 15 and 17, T25N, R04W,
 Beaver Creek Township

- State Forest Boundary
- Parcel A - State Land to be Sold (10.00 acres - \$9,570.00)
- ▨ Parcel B - State Land Desired from DNR in Exchange (20.00 acres)
- ▤ State Land
- Private Land

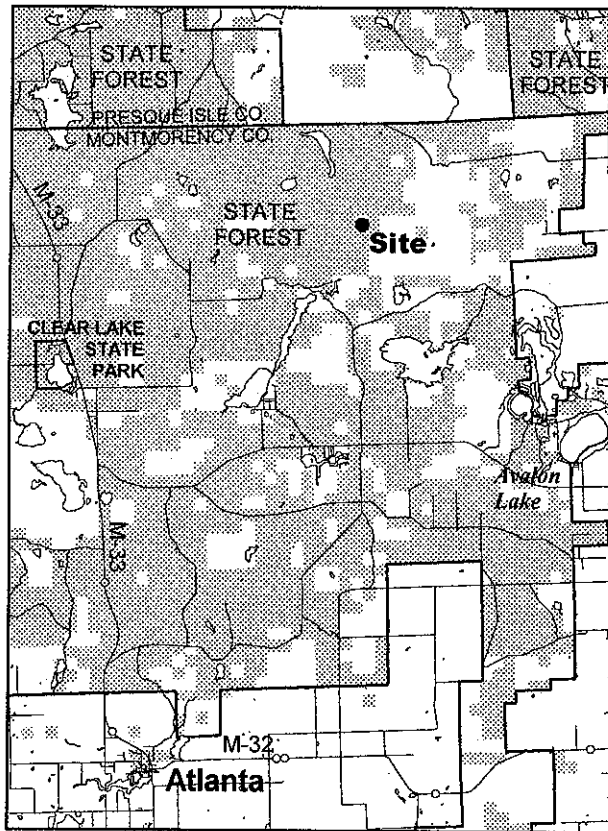


CRAWFORD COUNTY

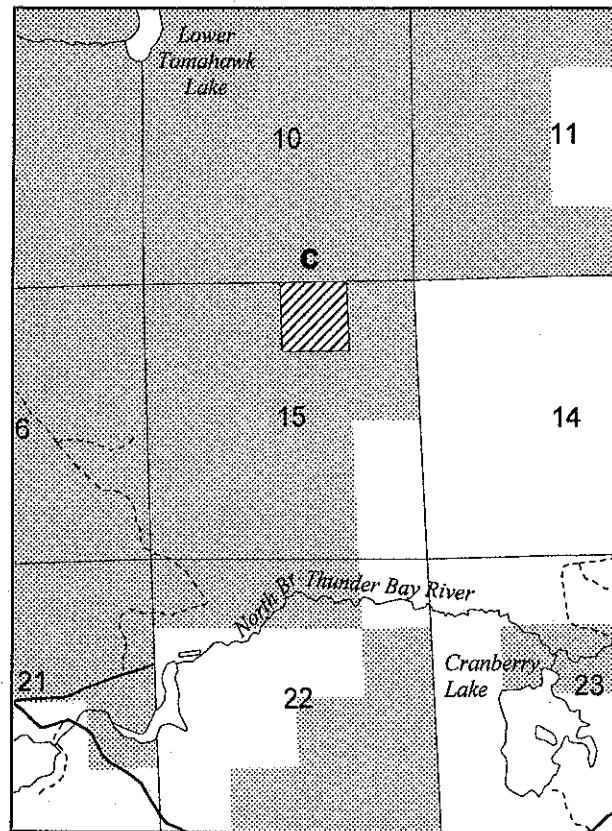


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
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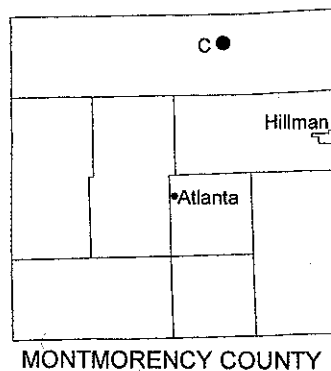


Regional Location



Section 15, T32N, R03E, Montmorency Township

- State Forest Boundary
-  Parcel C - Private Land Offered to DNR In Exchange (40.00 acres)
-  State Land
-  Private Land



MONTMORENCY COUNTY



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